Valuation for Funding Purposes
as at December 31, 2003

Nova Scotia Public Service Superannuation Plan

Prepared April 2004

Registration number: Canada Customs and Revenue Agency 0284521

MORNEAU SOBECO

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MORNEAU SOBECO

Executive Summary

Purpose

This report presents the results of the actuarial valuation as at December 31, 2003 of the Nova Scotia Public Service Superannuation Plan (the "Plan"). The Province of Nova Scotia ("the Province") retained the services of Morneau Sobeco to perform this actuarial valuation. The last valuation of the Plan filed with the Canada Customs and Revenue Agency was performed as at December 31, 2002.

This report was prepared for the Province for the following purposes:

- to determine the going-concern financial position of the Plan;
- to estimate the normal actuarial cost (also referred to as the current service cost) and contributions to the Plan for the next 12 months; and
- to provide the information and the actuarial opinion required by the Canada Customs and Revenue Agency.

Going-Concern Financial Position

The following table summarizes the change in the going-concern financial position since the previous valuation:

Table 0-1
Summary Reconciliation of Going-Concern Financial Position (millions)

Surplus (unfunded liability) as at December 31, 2002	$	(587.0)
Expected changes in financial position		(67.3)
Net experience gains (losses)		161.5
Surplus (unfunded liability) as at December 31, 2003	$	(492.8)

Figures may not add up exactly due to rounding.

The actuarial value of the Plan assets as at December 31, 2003 is $2,982.1 million. This represents 100.0% of the market value and 85.8% of the actuarial liability required to cover the Plan obligations.

Normal Actuarial Cost and Contributions

The cost of Plan benefits expected to be earned over the next 12 months has been calculated as 15.2% of pay. The combined employee and employer contributions total 12.6% of covered pay, with the result that there is a current service cost deficit of 2.6% of pay (approximately $17.8 million based on estimated 2004 payroll). The current service cost deficit was 3.6% of covered pay in our 2002 report. The reduction in the current service cost deficit reflects the increase in the required employee contribution of 1% (with a matching employer increase) effective June 1, 2004. The current service cost deficit is expected to be approximately 1.8% of covered pay in

2005 – the first full year of contributions at the new contribution rates.

While the rate of increase in the average age of the membership has been falling steadily since 1999, it is likely to be three or four years before we see the average age stabilize. As such, the current service cost deficit of 1.8% could rise to between 2.0% and 2.5% of pay within the next four years. Even if we assume that the current service cost deficit averages 2.0% of pay for 2005, 2006, and 2007, the present value of current service deficits over the four years commencing January 1, 2004 will be approximately $57 million.

In light of the existing unfunded liability of $492.8 million and the expected continuation of the current service cost deficit for a number of years (even after taking into account the positive impact on funding made by the June 1, 2004 increase in the employee and employer contributions), it is clear that there are still funding issues to be addressed by the Province. We understand that the Province is examining broader funding issues through an asset liability study and so we have not discussed these issues within this report.

However, to put the funded position of the Plan into perspective, for it to be fully funded on a going concern basis in six years without further increasing contributions (regular or special), and assuming all other assumptions are met, the real rate of return on Plan's assets would have to average about 8.25% per annum (or about 4.00% above the real return assumption of 4.25%). Given that bonds are very unlikely to yield this kind of return in the near future, there would need to be a very significant increase in the equities markets to achieve this return on assets.

Changes since the Previous Valuation

Changes since the previous valuation are discussed below. The financial impact of these changes (if any) is shown on the next page in the section entitled "Reconciliation of Going-Concern Financial Position".

Changes in Plan Provisions

There have been two changes to the Plan Provisions since the last valuation:

- Effective June 1, 2004, each member is required to contribute 6.4% of salary up to the Year's Maximum Pensionable Earnings ("YMPE") plus 8.0% of salary in excess of the YMPE. Prior to June 1, 2004, each member is required to contribute 5.4% of salary up to the YMPE plus 7.0% of salary in excess of the YMPE.

- A member is now permitted to work beyond age 65 without obtaining the permission of the Governor-in-Council. Previously, a member was not permitted to work beyond age 65 except when the Governor-in-Council deemed it in the public interest, to allow a member to continue in service for a short time beyond age 65.

Neither of the changes has a material impact on the Plan's current financial position.

A summary of Plan provisions can be found in Appendix E.

Changes in Actuarial Basis

There have been no changes made to the going concern actuarial assumptions since the last valuation.

The assumed wind-up discount rates were updated to reflect December 31, 2003 market conditions.

Appendix A provides complete details concerning the methods and assumptions used for going-concern funding purposes. Appendix B provides details regarding the basis used for wind-up purposes.

Section 1 – Going-Concern Financial Position

Statement of Going-Concern Financial Position

The financial position of the Plan on a going-concern basis is determined by comparing the actuarial value of assets to the actuarial liability. This reflects the assets available for the benefits earned up to the valuation date assuming the Plan continues indefinitely.

The following table shows the Plan's going-concern financial position as at December 31, 2003 with comparative figures from the previous valuation as at December 31, 2002.

Table 1-1
Going-Concern Financial Position (millions)

	December 31, 2003	December 31, 2002
Actuarial value of assets		
Net assets available for benefits	$ 2,982.1	$ 2,685.3
Smoothing adjustment	0	0
Total actuarial value of assets	$ 2,982.1	$ 2,685.3
Actuarial liability		
Active members	1,609.0	1,495.3
Terminated vested members	18.4	14.4
Pending Terminations	47.8	47.3
Retired members and beneficiaries	1,799.7	1,715.3
Total Actuarial Liability	$ 3,474.9	$ 3,272.3
Actuarial Surplus (unfunded liability)	$ (492.8)	$ (587.0)
Funding Ratio	85.8%	82.1%

Figures may not add up exactly due to rounding.

The unfunded liability of $492.8 million represents 14.2% of the value of accrued liabilities; that is, the accrued liabilities are 85.8% funded. At the same time, there is a significant current service cost deficit for 2004 of approximately 2.6% of pay, which is expected to reduce to approximately 1.8% of pay in 2005, and then increase slightly (as a percentage of pay) over possibly the next three to four years at least. If the Plan's actual economic and demographic experience matches the actuarial assumptions, the Plan would be expected to be in an unfunded position for the foreseeable future.

Appendix A and Appendix C provide further details on the determination of the actuarial liabilities and the actuarial value of assets respectively. A summary of membership data can be found in Appendix D. Appendix E contains a summary of the Plan provisions, including any amendments in effect as at the valuation date.

The following table shows the Plan's recent financial position.

Table 1-2

Going-Concern Assets and Liabilities (millions)

Valuation Date	Actuarial Value of Assets	Actuarial Liabilities	Surplus (Unfunded Liability)
December 31, 1996	$ 2,255.5	$ 2,105.6	$149.9
October 31, 1998	2,387.2	2,348.6	38.7
December 31, 1999	2,881.3	2,723.8	157.5
December 31, 2000	2,954.4 [1]	2,933.2	21.2
December 31, 2001	2,962.8	3,093.3	(130.5)
December 31, 2002	2,685.3	3,272.3	(587.0)
December 31, 2003	2,982.1	3,474.9	(492.8)

Figures may not add up exactly due to rounding.

[1] First valuation where actuarial value of assets based on 3-year smoothed asset value

Changes since the Previous Valuation

Changes since the previous valuation are discussed below. The financial impact of these changes (if any) is shown on the next page in the section entitled "Reconciliation of Going-Concern Financial Position".

Changes in Plan Provisions

There have been two changes to the Plan Provisions since the last valuation:

- Effective June 1, 2004, each member is required to contribute 6.4% of salary up to the Year's Maximum Pensionable Earnings ("YMPE") plus 8.0% of salary in excess of the YMPE. Prior to June 1, 2004, each member is required to contribute 5.4% of salary up to the YMPE plus 7.0% of salary in excess of the YMPE.

- A member is now permitted to work beyond age 65 without obtaining the permission of the Governor-in-Council. Previously, a member was not permitted to work beyond age 65; however, if the Governor-in-Council deemed it in the public interest, a member could continue in service for a short time beyond age 65.

Neither of the changes has a material impact on the Plan's current financial position.

A summary of Plan provisions can be found in Appendix E.

Changes in Actuarial Basis

There have been no changes made to the going concern actuarial assumptions since the last valuation.

A summary of the assumptions used for going-concern funding purposes can be found in Appendix A.

Reconciliation of Going-Concern Financial Position

An unfunded actuarial liability is the excess of the actuarial liability over the actuarial value of assets. A surplus is the excess of the actuarial value of assets over the actuarial liability. The change in the Plan's going-concern financial position is the net result of several factors, which are summarized in the following table:

Table 1-3

Reconciliation of Going-Concern Financial Position (millions)

Actuarial surplus (unfunded liability) as at December 31, 2002		$(587.0)
Expected changes in financial position:		
Interest on unfunded liability		(43.3)
Contribution deficit for 2003 plus interest to December 31, 2003		(24.0)
Expected surplus (unfunded liability) as at December 31, 2003		(654.3)
Actuarial experience gains (losses) due to:		
Investment gain on actuarial value of assets	195.5	
Pensioner Indexing More Than Assumed (3.2% vs 3.0%)	(3.3)	
Salary Increases Less Than Assumed	2.5	
Loss on Active Member Retirement Experience	(7.0)	
Loss Due To Data Adjustments[1]	(11.1)	
Change in Defined Benefit Limit Assumption	(3.6)	
Total gain due to Plan experience		173.0
All other items		(11.5)
Actuarial surplus (unfunded liability) as at December 31, 2003		$ (492.8)

Figures may not add up exactly due to rounding.

1 Mostly due to the inclusion of the non-teaching employees of the Chignecto-Central Regional School Board in the 2003 liabilities. These members joined the Plan starting in 2000; however, due to a delay in the transfer of data from their former pension plans, their records were not added to the Province's pension administration system until early 2003.

Section 2 – Wind-Up Financial Position

Wind-Up Basis

Although this valuation basis does not affect funding requirements, it is important that all parties be aware of the Plan's financial status if it were to wind-up on the valuation date, including the value of all indexing currently provided in the Plan. It is noted that this information is required by the Canadian Institute of Actuaries to appear in any regular actuarial report for a registered pension plan.

In valuing the benefits for active employees not eligible to retire, we assumed that they would elect a transfer of their entitlement, and used the CIA prescribed basis for fully indexed benefits for December 2003, namely 3.25% for the each of the first 15 years and 3.25% per year thereafter. For active members eligible to retire and pensioners, we estimated the cost of buying indexed pensions using a net interest rate of 2.75% per year. We note that the rate of interest of 2.75% used for the wind-up valuation for pensioners and active members eligible to retire approximates the cost of buying fully indexed pensions from a life insurance company on the valuation date. The above discount rates implicitly include the value of the Plan's indexing provisions.

We note that the Plan is not subject to the grow-in requirements of the Nova Scotia Pension Benefits Act; however, we have assumed that all members would be treated as vested if the plan were to wind-up.

Wind-up Valuation Results

We have determined the position of the Plan if it were to be wound up, using the same assumptions as used for the going concern valuation, with the following modifications:

(a) retirement is assumed to occur at the age which maximizes the value of the accrued pension;

(b) we have used the GAM 83 (with the 10% margin at each age) mortality table as the mortality basis (this being the basis prescribed by the Canadian Institute of Actuaries for wind-up);

(c) we have used the prescribed interest rates in accordance with the recommendations of the Canadian Institute of Actuaries for computing transfer values which are based on the real rate of interest on long-term real return bonds issued by the Government of Canada rather than the 4.25% rate used for the going concern valuation;

(d) in accordance with the Plan, benefits would be subject to CPI indexing during the deferral period rather than salary increases; and

(e) wind-up assets are based on the net assets available for benefits rather than a 3-year smoothed asset value.

We have also assumed wind-up expenses which would be borne by the fund of $3 Million.

Statement of Wind-Up Financial Position

The wind-up position, which takes into account all benefits payable would be as follows:

Table 2-1

Wind-up Financial Position (millions)

	December 31, 2003	December 31, 2002
Wind-up assets		
Net assets available for benefits	$ 2,982.1	$ 2,685.3
Wind-up expenses	(3.0)	(3.0)
Total wind-up assets	2,979.1	2,682.3
Wind-up liability		
Active members	1,925.9	1,668.1
Terminated vested members and pending	79.7	70.4
Retired members and beneficiaries	2,017.9	1,831.2
Total wind-up liability	4,023.5	3,569.6
Wind-up surplus (deficiency)	(1,044.4)	(887.3)
Wind-up funded ratio	74.0%	75.1%

Figures may not add up exactly due to rounding.

Thus, if the Plan were wound-up on December 31, 2003, it would be 74.0% funded as compared to 75.1% as at December 31, 2002. The worsening in the wind-up funded ratio is primarily due to the reduction in market rates of interest which has acted to increase the liabilities of the Plan on wind-up (in particular, the liabilities of members eligible to retire and current pensioner liabilities are based on the expected interest rates that would be charged by insurance companies if the liabilities were settled through the purchase of annuity contracts). This increase in liabilities was offset somewhat by investment gains made by the pension fund in 2003. The wind-up position is mainly of theoretical interest at this time, as it is expected that the Plan will continue in operation for many years.

Section 3 – Required Contributions

Normal Actuarial Cost

The cost of benefits for the active members (including the members accruing LTD service) for the 12 month period commencing January 1, 2004 is as follows:

Table 3-1
2004 Normal Actuarial Cost

	$ millions	% of Payroll
1. Total Normal actuarial cost	103.2	15.2
2. Employee and matching employer contributions	85.4	12.6
3. Current Service Cost (Deficit) (i.e. (2) - (1))	(17.8)	(2.6)

Figures may not add up exactly due to rounding.

The residual current service cost is the difference between the total normal cost and the employee contributions and amounts to $60.5 million. This is the amount that the Province would have to contribute in 2004 (assuming that employee contribution rates do not change) to avoid a current service cost deficit.

The cost of Plan benefits expected to be earned over the next 12 months has been calculated as 15.2% of pay. The combined employee and employer contributions total 12.6% of covered pay, with the result that there is a current service cost deficit of 2.6% of pay (approximately $17.8 million based on estimated 2004 payroll). The current service cost deficit was 3.6% of covered pay in our 2002 report. The reduction in the current service cost deficit reflects the increase in the required employee contribution of 1% (with a matching employer increase) effective June 1, 2004. The current service cost deficit is expected to be approximately 1.8% of covered pay in 2005 – the first full year of contributions at the new contribution rates.

While the rate of increase in the average age of the membership has been falling steadily since 1999, it is likely to be three or four years before we see the average age stabilize. As such, the current service cost deficit of 1.8% could rise to between 2.0% and 2.5% of pay within the next four years. Even if we assume that the current service cost deficit averages 2.0% of pay for 2005, 2006, and 2007, the present value of current service deficits over the four years commencing January 1, 2004 will be approximately $57 million.

In light of the existing unfunded liability of $492.8 million and the expected continuation of the current service cost deficit for a number of years (even after taking into account the positive impact on funding made by the June 1, 2004 increase in the employee and employer contributions), it is clear that there are still funding issues to be addressed by the Province. We understand that the Province is examining broader funding issues through an asset liability study and so we have not discussed these issues within this report.

However, to put the funded position of the Plan into perspective, for it to be fully funded on a going concern basis in 6 years without further increasing contributions (regular or special), and assuming all other assumptions are met, the real rate of return on the Plan's assets would have to average about 8.25% per annum (or about 4.00% above the real return assumption of 4.25%). Given that bonds are very unlikely to yield this kind of return in the near future, there would need to be a very significant increase in the equities markets to achieve this return on assets.

Special Payments

As the Plan is excluded from the application of the Nova Scotia Pension Benefits Act and Regulations, and the Plan itself does not have a requirement to be fully funded, no special payments in respect of the unfunded liability are required.

Acceptability of Contributions

Section 147.2(2) of the Income Tax Act permits employer contributions in respect of all past service and current service contributions made during the taxation year which do not exceed the unfunded liability and normal actuarial cost certified by the actuary and approved by Canada Customs and Revenue Agency, respectively. If, however, the Plan has a surplus, the Income Tax Act requires that, under certain circumstances, the employer use such surplus to meet the normal actuarial cost, rather than making a contribution to the Plan. These rules are:

(a) if the surplus exceeds 20% of the accrued actuarial liabilities of the Plan, no employer contributions may be made;

(b) if the surplus is between 10% and 20% of the accrued actuarial liabilities, and it exceeds the total annual normal actuarial cost for two years, no employer contributions may be made; and

(c) otherwise, employer contributions with regard to current service may be made to the plan.

As the Plan is currently in an unfunded position, the Province is permitted to contribute up to $60.5 million residual current service cost plus an amount sufficient to liquidate the entire wind-up deficiency until the preparation of the next actuarial report as at December 31, 2004.

Section 4 – Actuarial Opinion

This opinion is given with respect to the Nova Scotia Public Service Superannuation Plan (the "Plan"), Registration number 0284521 under the Canada Customs and Revenue Agency.

We performed a valuation of the Plan as at December 31, 2003 based on the Plan provisions and data as at that date. The Province has confirmed that no modifications or extraordinary changes to the membership, that would materially affect the results of this actuarial valuation, have occurred during the period from December 31, 2003 to the date of this report.

We hereby certify that, in our opinion, as at December 31, 2003:

(a) The Plan's actuarial liabilities exceed the Plan's actuarial value of assets, on a going-concern basis, by $492.8 million.

(b) The Plan's liabilities would exceed the Plan's assets by $1,044.4 million if the Plan were to be wound up on the valuation date.

(c) The total normal actuarial cost for the 12 months starting January 1, 2004 is $103.2 million, which compares with the employee's and matching employer contributions of $85.4 million, resulting in a current service deficit of $17.8 million or 2.6% of covered pay.

(d) The Province, during 2004, may contribute up to $60.5 million residual current service cost plus an amount sufficient to liquidate the entire wind-up deficiency.

In our opinion:

(a) The data on which the valuation is based are sufficient and reliable for the purposes of the valuation.

(b) The assumptions used are, in aggregate, appropriate for the purposes of the valuation.

(c) The methods employed in the valuation are appropriate for the purposes of the valuation.

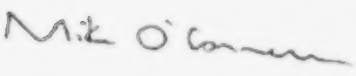
This report has been prepared, and our opinion given, in accordance with accepted actuarial practice. The assumptions that form each actuarial basis used in the report were reasonable at time this actuarial valuation report was prepared and contributions were determined. The calculations in the actuarial valuation report have been prepared in accordance with Subparagraph 147.2(2)(a) of the Income Tax Act.

The recommendations and opinions are given exclusively from a financial viewpoint. This valuation report does not constitute a legal opinion on the rights or duties of the Plan administrator, the Province or the members over the pension funds.

Actuarial valuations are performed based on assumptions and methods that are in accordance with sound actuarial principles. Emerging experience differing from these assumptions may result in gains or losses, which may affect future contribution levels. These will be revealed in future

actuarial valuations.

Due to the unfunded liability and current service cost contribution deficit, and the recent financial market performance, we recommend that the next actuarial valuation be performed no later than as at December 31, 2004.



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MORNEAU SOBECO

April 2004

APPENDIX A – GOING-CONCERN ACTUARIAL BASIS

Asset Valuation Method

The actuarial value of assets is based on a 3-year smoothed net asset calculation. The formula is:

- Net assets available for benefits at the valuation date (i.e., investments plus accruals);
- Less 2/3 of : actual investment gain (loss) in excess of or less than the assumed investment income in the most recent 12 month period
- Less 1/3 of : actual investment gain (loss) in excess of or less than the assumed investment income in the second most recent 12 month period;

The above is subject to a maximum equal to the net assets available for benefits.

Actuarial Cost Method

The actuarial liability and normal actuarial cost on a going-concern basis were calculated using the "Projected Accrued Benefit (or Projected Unit Credit) Actuarial Cost Method". The actuarial liability is equal to the present value of benefits earned by members for service prior to the valuation date, taking relevant factors into account as indicated in the assumptions below. In the case of members expected to have more than 35 years of service at retirement, we have funded the cost of their projected pension over the first 35 years of their service.

The total normal actuarial cost is equal to the present value of benefits expected to be earned by members in the year following the valuation date. The residual normal actuarial cost is the excess of the total normal actuarial cost over members' required contributions.

The normal actuarial cost rate is the normal actuarial cost divided by covered payroll for the same period. This rate will tend to be stable over time if the demographic characteristics of the active and disabled Plan membership remain stable. All other things being equal, an increase in the average age of the active and disabled membership will result in an increasing normal actuarial cost rate.

The age for valuation purposes has been calculated by rounding to the nearest birthday.

Actuarial Assumptions

The main actuarial assumptions employed for the going-concern actuarial valuation are summarized in the following table. All of the assumptions used in this valuation are the same as those used in the previous valuation.

All rates and percentages are annualized unless otherwise noted.

Table A-1

Actuarial Assumptions

	December 31, 2003		December 31, 2002	
Discount rate	7.38% (real rate of return of 4.25%)		7.38% (real rate of return of 4.25%)	
Inflation	3.00%		3.00%	
Salary increases, including inflation, merit and promotion	Under 30	6.00%	Under 30	6.00%
	30 to 34	5.50%	30 to 34	5.50%
	35 to 39	5.00%	35 to 39	5.00%
	40 to 44	4.50%	40 to 44	4.50%
	45 to 49	4.00%	45 to 49	4.00%
	50 plus	3.50%	50 plus	3.50%
	3.50% for members on LTD		3.50% for members on LTD	
Increase in YMPE	3.50%		3.50%	
Maximum pension	In 2003: $1,722 per year of service; In 2004: $1,833 per year of service; In 2005: $2,000 per year of service; set to increase by 3.50% starting in 2006		$1,722 per year of service, set to increase by 3.50% starting in 2005	
Interest credited on employee contributions	7.38%		7.38%	
Mortality rate	1994 GAM Static (i.e., 1994 GAM Basic with 7% margins to age 102) projected to 2000 using scale AA Pre and Post-retirement		1994 GAM Static (i.e., 1994 GAM Basic with 7% margins to age 102) projected to 2000 using scale AA Pre and Post-retirement	
Termination rate	None assumed		None assumed	
Disability rate	None assumed		None assumed	
Retirement	**Actives:** 20% upon attainment of age 55 and 80 points (age plus service) The rest at 35 years of service or age 60. **Deferred vested**: age 60. **LTD**: Age 65 or 35 years of service, if date of disability is before May 1, 2002. Age 60 or 35 years of service, if date of disability is after May 1, 2002. Members past their assumed retirement age (i.e., for actives: 35 years of service or age 60) are assumed to retire in one year		**Actives:** 20% upon attainment of age 55 and 80 points (age plus service) The rest at 35 years of service or age 60. **Deferred vested**: age 60. **LTD**: Age 65 or 35 years of service, if date of disability is before May 1, 2002. Age 60 or 35 years of service, if date of disability is after May 1, 2002. Members past their assumed retirement age (i.e., for actives: 35 years of service or age 60) are assumed to retire in one year	
Split of Total Pension Between Bridge & Lifetime Pension [1]	Bridge Pension: 29% Lifetime Pension: 71%		Bridge Pension: 29% Lifetime Pension: 71%	
Plan expenses	Discount rate assumed to be net of all Plan expenses		Discount rate assumed to be net of all Plan expenses	
Married %	At retirement: Males 85% & Females 75% Pensioners: probability of spousal mortality since retirement taken into account, also assume likelihood of re-marriage for males 66%, females 33%		At retirement: Males 85% & Females 75% Pensioners: probability of spousal mortality since retirement taken into account, also assume likelihood of re-marriage for males 66%, females 33%	
Spousal age difference	Male is 3 years older than female		Male is 3 years older than female	
Children's Benefits	Payable until child attains age 22 or for one more year if child is already age 22		Payable until child attains age 22 or for one more year if child is already age 22	

[1] Data provided only includes total pension being paid. It was therefore necessary to make an assumption as to the percentage of total pension payable after age 65.

APPENDIX B –WIND-UP ACTUARIAL BASIS

Asset Valuation Method

Wind-up assets are equal to the net assets available for benefits, less an allowance for wind-up expenses.

Actuarial Cost Method

The wind-up liability is determined using the Accrued Benefit (or Unit Credit) Actuarial Cost Method. The wind-up liability is equal to the actuarial present value of all benefits earned by members for service prior to the valuation date including the value of all pre and post retirement indexing ("escalated adjustments"), assuming the Plan is wound up on the valuation date. All members are treated as vested in a wind-up valuation.

The age has been calculated rounding to the nearest integer.

Actuarial Assumptions

Since the Plan is not subject to the grow-in requirements of the *Nova Scotia Pension Benefits Act*, the "grow-in" rules do not apply; however, we have assumed that all members would be treated as vested in the event of Plan wind-up.

The primary actuarial assumptions employed for the wind-up actuarial valuation are summarized in the following table. For comparison, the assumptions used for the last valuation are also included in the table. All rates and percentages are annualized unless otherwise noted.

Table B.1

Wind-up Actuarial Assumptions

Valuation Date	December 31, 2003	December 31, 2002
Discount rate for transfer value (fully indexed pension)	3.25% for the next 15 years and 3.25% thereafter	3.75% for the next 15 years and 3.25% thereafter
Discount rate for annuity purchase (fully indexed pension)	2.75%	3.25%
Member Election	Transfer Value: Active members not eligible for immediate retirement Annuity Purchase: Pensioners, active members eligible for immediate pension, and deferred vested members	Transfer Value: Active members not eligible for immediate retirement Annuity Purchase: Pensioners, active members eligible for immediate pension, and deferred vested members
Mortality	Group annuity 1983 (GAM-1983) sex distinct	Group annuity 1983 (GAM-1983) sex distinct
Salary increases [1]	None	None
Merit and promotional scale	None	None
Increase in maximum pension	None	None
Termination, Disability	None	None
Retirement	Age that maximizes the value of the pension	Age that maximizes the value of the pension
Split of Total Pension Between Bridge & Lifetime Pension [2]	Bridge Pension: 29% Lifetime Pension: 71%	Bridge Pension: 29% Lifetime Pension: 71%
Married %	At retirement: Males 85% & Females 75% Pensioners: probability of spousal mortality since retirement taken into account, also assume likelihood of re-marriage for males 66%, females 33%	At retirement: Males 85% & Females 75% Pensioners: probability of spousal mortality since retirement taken into account, also assume likelihood of re-marriage for males 66%, females 33%
Difference in age of spouses	Male is 3 years older than female	Male is 3 years older than female
Assets	Net assets available for benefits adjusted for payables and receivables and wind-up expenses	Net assets available for benefits adjusted for payables and receivables and wind-up expenses
Wind-up expenses	$3 Million	$3 Million

[1] Salary increases in years prior to the valuation date were assumed to be 2% per year. This was used to estimate final average earnings.

[2] Data provided only includes total pension being paid. It was therefore necessary to make an assumption as to the percentage of total pension payable after age 65.

- The interest rate used for valuing transfer values is in accordance with the recommendations of the Canadian Institute of Actuaries and is based on the rates of return for long-term real return bonds issued by the Government of Canada in October 2003.

- For annuity purchases, our firm conducted a sample market survey between December 2003 and January 2004. In our opinion, 2.75% per annum is a reasonable estimate of the discount rate, which when used in conjunction with the GAM83 mortality table, approximated the cost of purchasing immediate fully-indexed annuities as at the valuation date.

- Valuation results with sex distinct mortality produce the same approximate results as unisex mortality, and provide a more accurate measurement of the true expected liability.

- Allowance has been made for administrative, actuarial and legal costs which would be incurred if the Plan were to be wound up in full or in part. No allowance has been made for costs which may be incurred in respect of resolving surplus issues on Plan wind up or the costs in respect of assets which cannot be readily realized.

APPENDIX C – ASSETS

Value of Plan Assets

The invested and accrued values of Plan assets as at December 31, 2003 were provided by the Province. We have reviewed the financial data for consistency with the data for contributions and benefit payments; however, other than these basic consistency checks, we have relied on the figures provided by the Province and have not performed any detailed analysis of the asset information. We note that the Plan assets are managed by a combination of the Province's internal managers and several outside managers.

Table C.1

Assets at Market Value (millions)

	Dec 31, 2003 Market Value	Dec 31, 2003 % of Total	Dec 31, 2002 Market Value	Dec 31, 2002 % of Total
Invested assets				
Bonds	$879.1	29.4	$1,068.1	39.7
Stocks:				
Canadian	1,050.5	35.1	910.9	33.8
U.S.	492.3	16.5	448.6	16.7
International	226.7	7.6	213.8	7.9
Real Estate	45.6	1.5	35.5	1.3
Cash, Short Term	280.2	9.4	15.6	0.6
Miscellaneous	16.9	0.6	0.0	0.0
Subtotal	$ 2,991.3	100.0	$ 2,692.5	100.0
Receivables and Payables				
Accounts Receivable	3.8		7.5	
Accounts Payable	(13.6)		(15.4)	
Net assets available for benefits (as provided by Province)	$ 2,981.5		$ 2,684.6	
Present Value of Contributions receivable with respect to past-service buybacks [1]	0.6		0.7	
Net assets available for benefits	$ 2,982.1		$ 2,685.3	

Figures may not add up exactly due to rounding.

1 Represents the present value of combined employee and employer contributions payable with respect to past service buybacks.

Changes to Plan Assets

The following table shows changes to the Plan's invested assets during the inter-valuation period (and a comparison with the equivalent values in 2002).

Table C.2

Reconciliation on invested assets (millions)

	2003	2002
Net assets available for benefits at beginning of year	$ 2,684.6	$ 2,961.8
Receipts:		
Contributions	73.0	72.3
Transfers from other Plans	7.2	5.5
Purchases	3.0	1.8
Net Investment Income and Change in Market Value	390.5	(197.2) [1]
Total receipts	473.7	(117.6)
Disbursements:		
Benefits and Withdrawals	161.2	153.2
Reciprocal Transfers Out	5.8	6.4
Total disbursements	167.0	159.6
Net assets (as provided by Province)	2,991.3	2,684.6 [1]

Figures may not add up exactly due to rounding.

[1] Included net payables / receivables at December 31, 2002 valuation.

Return on Assets

The market value of Plan assets earned the following annualized rates of return, net after investment management fees and other expenses charged to the fund:

Table C.3

Net Investment Return (millions unless otherwise noted)

Year	Net Rate of Return (Accrual Basis)	Actual Investment Gain / (Loss)	Expected Investment Gain	Excess Investment Gain / (Loss)
1999	18.62%	$470.8	$186.6	$284.2
2000	8.07%	$231.4	$211.6	$19.8
2001	(0.78)%	$(23.5)	$223.3	$(246.8)
2002	(6.75)%	$(197.2)	$215.6	$(412.8)
2003	14.78%	$390.5	$195.0	$195.5

Actuarial Value of Assets

The following table shows the derivation of the actuarial value of assets.

Table C.4

Actuarial Value of Assets (millions)

Invested Assets		$ 2,991.3
Less 2/3 of the excess investment gain (loss) of most recent year (2003)	(130.3)	
Less 1/3 of the excess investment gain (loss) of prior year (2002)	137.6	
Raw Smoothing Adjustment		7.3
Smoothing Adjustment [1]		0
Smoothed Asset Value [1]		$ 2,991.3
Accounts Receivable		3.8
Accounts Payable		(13.6)
Present Value of Contributions receivable with respect to past-service buybacks [2]		0.6
Total Actuarial Value of Assets		$ 2,982.1

Figures may not add up exactly due to rounding.

[1] The smoothing adjustment cannot be greater than $0 since the actuarial value of assets is subject to a maximum equal to the net assets available for benefits.

[2] Represents the present value of combined employee and employer contributions payable with respect to past service buybacks.

APPENDIX D– MEMBERSHIP DATA

Description of Membership Data

Our valuation is based on data compiled as at December 31, 2003 supplied to us by the Province. We have taken the following steps to review the data to ensure sufficiency and reliability:

- each member's record was reconciled with last year's record;
- the pension amounts provided in the current data for the retirees were compared with the pensions provided in the previous year's data;
- the amounts of credited service and pensionable earnings provided in the current data for the active members were compared with the amounts provided in the previous year's data;
- the contributions and pensions paid since the last valuation shown in the financial information were compared with the equivalent values produced by the data;
- a membership reconciliation was prepared to follow the changes of active members, retirees and vested members;
- basic data checks were performed to ensure that age, salary and service data were reasonable for the purposes of the valuation.

Overall, the results of our data review were acceptable. Certain issues were raised with the Province regarding pensionable earnings comparisons from one year to another. At the date of writing this report we have not received comment from the Province on these issues. However, we do not expect that their resolution will have a material impact on the liabilities of the Plan.

Summary of Membership Data

The following tables were prepared using data provided by the Province:

D.1 Summary of membership data

D.2 Changes in Plan membership

D.3 Distribution of active members according to age and service as at the valuation date

D.4 Distribution of employee (regular) pensioners under age 65 according to age

D.5 Distribution of employee (regular) pensioners age 65 or older according to age

D.6 Distribution of spousal pensioners according to age

Table D.1

Summary of Membership Data

		December 31, 2003	December 31, 2002
Active members* (including LTD's)	Number	14,792	14,268
	Average age	46.03	45.66
	Average Credited service	13.37	13.46
	Average salary	$44,000	$43,200
	Average Pension (full 2%)	$12,304	$12,002
	Total payroll for following year	$677.11 million	$641.09 million
Vested members	Number	259	226
	Average age	48.41	48.53
	Average annual pension (full 2%)	$8,125	$7,673
Retirees	Number	7,757	7,588
	Average age	69.23	69.08
	Average annual lifetime pension	$15,209	$14,777
	Average annual bridge	$2,419	$2,368
	Total annual pensions	$136.73 million	$130.09 million
Spouses & Ex-spouses	Number	2,226	2,192
	Average age	73.81	73.56
	Average annual pension	$9,975	$9,512
	Total annual pensions	$22.20 million	$20.85 million
Children	Number	111	131
	Average age	20.32	20.06
	Average annual lifetime pension	$2,257	$2,164
	Total annual pensions	$0.25 million	$0.28 million
Pending Terminations	Number	1,146	1,184
	Average age	43.84	43.10
	Average annual lifetime pension	$3,756	$3,752
	Average annual bridge	$1,407	$1,465
	Total annual pensions	$5.92 million	$6.18 million

Notes:

The pension amounts include the cost of living adjustment effective as at January 1, 2004.

* Includes approximately 1,131 part-time employees who work less than 100% of full-time, part-time earnings are not annualized for data summaries.

Table D.2

Changes in Plan Membership

	Active Members	LTD Members	Vested Members	Retirees and Beneficiaries	Pending	Total
Members as at December 31, 2002	13,494	774	226	9,911	1,184	25,589
New active members	767	0	0	0	0	767
Retirements	(289)	(49)	(12)	368	(18)	0
Became Disabled	(115)	115	0	0	0	0
Returned From Disabled	50	(50)	0	0	0	0
Returned From Ve sted	3	0	(3)	0	0	0
Returned From Pending	35	4	0	0	(39)	0
New survivor pensions	0	0	0	157	0	157
Terminations:						
Deferred pensions	(11)	0	30	0	(19)	0
Pending	(201)	(3)	0	0	204	0
Fully Settled	(152)	(1)	(3)	0	(183)	(339)
Deaths	(15)	(16)	0	(324)	(1)	(356)
Pension cessation (Child)	0	0	0	(31)	0	(31)
Data adjustments	452	0	21	13	18	504
Members as at December 31, 2003	**14,018**	**774**	**259**	**10,094**	**1,146**	**26,291**

Table D.3

Age/Service Distribution of Active Members as at December 31, 2003

		0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 plus	Total
Under 25	Count	63	1						64
	Avg. Credited Svc.	0.94	*						1.01
	Salary Rate	29,437	*						29,435
25 to 29	Count	348	33						381
	Avg. Credited Svc.	1.71	6.01						2.08
	Salary Rate	35,206	39,240						35,556
30 to 34	Count	585	362	63	1				1,011
	Avg. Credited Svc.	2.15	6.63	11.86	*				4.38
	Salary Rate	38,760	43,603	41,633	*				40,662
35 to 39	Count	599	530	522	184	1			1,836
	Avg. Credited Svc.	2.24	7.14	12.68	16.14	*			8.02
	Salary Rate	41,018	45,191	43,019	42,334	*			42,916
40 to 44	Count	598	548	632	701	349	17		2,845
	Avg. Credited Svc.	2.27	7.20	12.79	17.22	21.96	25.62		11.80
	Salary Rate	37,443	44,940	44,848	45,030	39,890	36,007		42,693
45 to 49	Count	503	486	499	645	677	461	19	3,290
	Avg. Credited Svc.	2.43	7.20	12.81	17.45	22.57	26.83	30.54	15.38
	Salary Rate	38,996	45,066	45,628	47,509	46,093	42,706	40,628	44,553
50 to 54	Count	389	381	326	483	488	660	172	2,899
	Avg. Credited Svc.	2.31	7.19	12.93	17.35	22.57	27.47	31.55	17.53
	Salary Rate	38,305	46,152	45,266	47,257	47,556	49,802	45,330	46,202
55 to 59	Count	209	239	230	315	304	274	230	1,801
	Avg. Credited Svc.	2.44	7.22	12.87	17.34	22.46	27.42	32.13	17.98
	Salary Rate	39,833	43,245	45,570	45,338	49,083	51,228	53,242	46,989
60 plus	Count	85	102	102	165	117	73	21	665
	Avg. Credited Svc.	2.81	7.16	12.87	17.51	22.59	27.31	32.10	15.76
	Salary Rate	37,100	43,618	41,274	42,860	46,221	48,965	69,492	44,099
Total	**Total Count**	**3,379**	**2,682**	**2,374**	**2,494**	**1,936**	**1,485**	**442**	**14,792**
	Avg. Credited Svc.	**2.22**	**7.09**	**12.78**	**17.26**	**22.44**	**27.23**	**31.83**	**13.37**
	Rounded Salary Rate	**38,400**	**44,700**	**44,500**	**45,800**	**45,800**	**47,700**	**50,400**	**44,000**

* Certain figures not shown to protect confidentiality.

Age is computed at the nearest birthday.

Avg. Credited Svc. is the number of years credited for pension plan purposes.

For part-timers, salary shown is the expected part-time earnings based on December 31, 2003 salary rates.

Table D.4

Employee (Regular) Pensioners Under Age 65

Age	Number	Average (Annual) Current Pension	Bridge	Lifetime Pension	Total (Annual) Current Pension	Bridge	Lifetime Pension
42	1	*	*	*	*	*	*
44	1	*	*	*	*	*	*
45	1	*	*	*	*	*	*
47	2	*	*	*	*	*	*
49	1	*	*	*	*	*	*
50	4	22,634	6,564	16,070	90,536	26,256	64,281
51	10	28,392	8,234	20,158	283,917	82,336	201,581
52	31	24,381	7,071	17,311	755,814	219,186	536,628
53	53	28,877	8,374	20,503	1,530,481	443,840	1,086,642
54	97	25,228	7,316	17,912	2,447,107	709,661	1,737,446
55	134	23,788	6,898	16,889	3,187,563	924,393	2,263,170
56	184	25,063	7,268	17,795	4,611,589	1,337,361	3,274,228
57	258	24,045	6,973	17,072	6,203,651	1,799,059	4,404,592
58	229	24,087	6,985	17,102	5,515,890	1,599,608	3,916,282
59	248	23,602	6,845	16,758	5,853,398	1,697,486	4,155,913
60	244	24,470	7,096	17,374	5,970,626	1,731,481	4,239,144
61	324	21,110	6,122	14,988	6,839,787	1,983,538	4,856,248
62	302	21,171	6,140	15,031	6,393,648	1,854,158	4,539,490
63	298	20,524	5,952	14,572	6,116,157	1,773,685	4,342,471
64	273	20,556	5,961	14,595	5,611,781	1,627,416	3,984,365
Total	2,695	22,795	6,610	16,184	61,432,054	17,815,296	43,616,758

* Certain figures not shown to protect confidentiality.

It is noted that the above table lists 6 pensioners under the minimum retirement age of 50; these are members who became disabled, but who did not qualify for benefits under the LTD Plan, and as such were entitled to a disability pension from the Plan (please refer to the Disability Pension section of Appendix C).

Figures may not add up exactly due to rounding.

The pension amounts include the cost of living adjustment effective as at January 1, 2004.

Table D.5

Employee (Regular) Pensioners 65 and Older

		Average (Annual)			Total (Annual)		
Age	Number	Current Pension	Bridge	Lifetime Pension	Current Pension	Bridge	Lifetime Pension
65	283	19,146	3,345	15,801	5,418,259	946,541	4,471,718
66	317	14,969	-	14,969	4,745,297	-	4,745,297
67	312	14,281	-	14,281	4,455,720	-	4,455,720
68	316	16,281	-	16,281	5,144,650	-	5,144,650
69	292	15,167	-	15,167	4,428,653	-	4,428,653
70	272	14,408	-	14,408	3,918,932	-	3,918,932
71	277	14,940	-	14,940	4,138,242	-	4,138,242
72	268	15,263	-	15,263	4,090,359	-	4,090,359
73	270	14,635	-	14,635	3,951,388	-	3,951,388
74	230	15,839	-	15,839	3,642,966	-	3,642,966
75	219	13,024	-	13,024	2,852,151	-	2,852,151
76	244	14,627	-	14,627	3,568,903	-	3,568,903
77	196	13,761	-	13,761	2,697,060	-	2,697,060
78	222	15,573	-	15,573	3,457,186	-	3,457,186
79	156	15,773	-	15,773	2,460,543	-	2,460,543
80	164	15,146	-	15,146	2,483,950	-	2,483,950
81	130	13,890	-	13,890	1,805,683	-	1,805,683
82	145	13,765	-	13,765	1,995,874	-	1,995,874
83	143	13,764	-	13,764	1,968,226	-	1,968,226
84	121	12,433	-	12,433	1,504,347	-	1,504,347
85	85	13,596	-	13,596	1,155,666	-	1,155,666
86	82	12,467	-	12,467	1,022,271	-	1,022,271
87	68	14,345	-	14,345	975,459	-	975,459
88	67	13,303	-	13,303	891,325	-	891,325
89	40	13,404	-	13,404	536,145	-	536,145
90	39	14,792	-	14,792	576,889	-	576,889
91	29	13,062	-	13,062	378,804	-	378,804
92	22	13,049	-	13,049	287,068	-	287,068
93	11	17,129	-	17,129	188,424	-	188,424
94	13	14,043	-	14,043	182,563	-	182,563
95	11	16,131	-	16,131	177,443	-	177,443
96	6	8,596	-	8,596	51,576	-	51,576
97	5	6,521	-	6,521	32,604	-	32,604
98	3	10,739	-	10,739	32,218	-	32,218
100	2	*	*	*	*	*	*
101	2	*	*	*	*	*	*
Total	5,062	14,876	187	14,689	75,302,676	946,541	74,356,135

* Certain figures not shown to protect confidentiality.

Figures may not add up exactly due to rounding.

The pension amounts include the cost of living adjustment effective as at January 1, 2004. The ages in this table are rounded to the nearest year. Therefore, while the bridge benefits under the Plan cease at age 65, some 65 year-olds are shown to have a bridge payable. Approximately 1/2 of the 283 65-year-olds are under 65 but over 64.5.

Table D.6

Spousal Pensioners (excluding ex-spouse)

Age	Number	Average Lifetime Pension	Total Lifetime Pension	Age	Number	Average Lifetime Pension	Total Lifetime Pension
34	1	*	*	70	60	11,012	660,700
36	1	*	*	71	54	10,735	579,674
38	2	*	*	72	87	8,545	743,402
39	1	*	*	73	58	11,600	672,819
40	3	3,038	9,113	74	77	9,068	698,203
41	2	*	*	75	63	9,922	625,077
42	5	7,232	36,158	76	74	9,645	713,762
43	2	*	*	77	73	9,354	682,847
44	7	8,488	59,419	78	82	9,556	783,618
45	7	9,252	64,762	79	78	7,809	609,125
46	7	5,630	39,413	80	103	9,773	1,006,649
47	11	7,234	79,570	81	73	10,773	786,461
48	8	6,772	54,180	82	74	9,512	703,852
49	6	15,564	93,383	83	75	10,108	758,115
50	14	12,148	170,067	84	76	11,041	839,116
51	14	13,406	187,677	85	58	9,587	556,039
52	17	13,960	237,321	86	59	10,495	619,187
53	13	6,217	80,827	87	52	10,985	571,194
54	11	10,882	119,697	88	54	10,195	550,514
55	25	11,177	279,423	89	46	11,340	521,645
56	21	11,738	246,500	90	28	7,336	205,399
57	26	12,872	334,669	91	28	9,320	260,948
58	22	11,746	258,407	92	12	9,057	108,682
59	27	9,377	253,180	93	19	11,854	225,221
60	34	10,591	360,105	94	11	7,199	79,194
61	35	8,816	308,559	95	7	7,590	53,128
62	29	9,882	286,589	96	4	21,383	85,532
63	32	9,375	300,002	97	7	9,401	65,804
64	39	10,523	410,378	98	4	17,784	71,134
65	34	11,285	383,690	99	3	14,844	44,531
66	35	11,096	388,375	100	1	*	*
67	43	11,498	494,428	101	2	*	*
68	53	10,083	534,421	103	1	*	*
69	55	7,786	428,244	**Total**	**2,145**	**10,018**	**21,488,927**

* Certain figures not shown to protect confidentiality.

Figures may not add up exactly due to rounding.

The pension amounts include the cost of living adjustment effective as at January 1, 2004.

APPENDIX E – SUMMARY OF PLAN PROVISIONS

The following is a concise summary of the main provisions of the Public Service Superannuation Plan.

Changes In Plan Provisions

There have been two changes to the Plan Provisions since the last valuation:

- Effective June 1, 2004, each member is required to contribute 6.4% of salary up to the Year's Maximum Pensionable Earnings ("YMPE") plus 8.0% of salary in excess of the YMPE. Prior to June 1, 2004, each member is required to contribute 5.4% of salary up to the YMPE plus 7.0% of salary in excess of the YMPE.

- A member is now permitted to work beyond age 65 without obtaining the permission of the Governor-in-Council. Previously, a member was not permitted to work beyond age 65 except when the Governor-in-Council deemed it in the public interest, to allow a member to continue in service for a short time beyond age 65.

Effective Date

The Nova Scotia Public Service Superannuation Plan (the "Plan") was brought into force as of July 1, 1934; however, the Fund was not established until May 1, 1941, following an Order-in-Council passed by the Government on March 3, 1941.

Eligibility

All employees of the Province and participating employers, other than casual employees and other specifically excluded employees must enroll in the Plan provided they have attained at least age 18. The Plan covers part-time employees who work 40% or more of full-time.

Contributions

Until May 31, 2004, each member is required to contribute 5.4% of salary up to the Year's Maximum Pensionable Earnings (i.e. Canada Pension Plan ceiling) plus 7.0% of salary in excess of such ceiling. Effective June 1, 2004, the rates of 5.4% and 7.0% are increased to 6.4% and 8.0% respectively. Salary for this purpose is basic salary only, plus performance related bonuses. Overtime pay and other allowances are excluded. Salary for employee contribution purposes is not restricted to the level which produces the maximum pension.

Until January 1, 1992, employees contributed during their full term of service; in the event that total contributory service exceeded the maximum period for benefits of 35 years, the contributions made by the employee in his earliest years were refunded at the time of retirement, so as to reduce the employee's contributory period to 35 years. Effective January 1, 1992, a member

ceases to contribute once he has 35 years of credited service.

Any member who qualifies for LTD benefits under the Province's LTD Program after November 1, 1985 continues to earn credited service up to age 65; such member continues to contribute to the Plan. Effective January 1, 1992, any member who is disabled and is not a member of the Province's LTD Program, but does qualify for a disability pension under the CPP, will be eligible to receive an immediate pension under this Plan.

The employer contributes an amount equal to the total of all employees' contributions.

Retirement Dates

The normal retirement age is 65 for all members.

A member is permitted to work beyond age 65. In such event, the pension will commence when the employee retires.

A member may also retire prior to age 65 on his full accrued pension upon the earlier of (i) attainment of age 60 and 2 years of service; and (ii) attainment of age 50, with a total age and service of at least 80 years, counting completed months in each case.

A member who has attained age 55, but does not qualify for the Rule of 80 may retire on a reduced pension, the pension in such case being the amount determined in accordance with the regular formula, reduced by 0.5% for each month by which the member falls short of eligibility for an unreduced pension, i.e. the lesser of:

(a) the number of months remaining to age 60, or

(b) the number of months by which the total of his age and years service is less than 85 years (effective January 1, 2002, 85 is changed to 80).

Prior to January 1, 2002, a member who terminated prior to retirement and prior to satisfying the Rule of 80, and who left his or her monies in the Fund, could grow into the Rule of 85, but not the Rule of 80. Effective January 1, 2002, the Plan was amended to allow terminated members to grow into the Rule of 80.

Amount of Pension

A member's annual pension, subject to the maximum pension rules with regard to service after January 1, 1992, is based upon the following factors:

(a) Final Average Salary, being the average of annual salary during the 5 years of highest earnings (or such shorter period where the member has less than 5 years of service) on which contributions were made (or during the last 3 years of contributory service, if greater, in the relatively few instances where the annual pension, calculated at the full 2.0% rate, does not exceed $4,200);

(b) the Average YMPE under the Canada Pension Plan over the same years used in (a)

above; and

(c) his years of credited service (maximum 35).

Amount Payable Prior to Age 65

The amount of pension, payable prior to age 65 where applicable, is 2% of the member's Final Average Salary multiplied by his years of credited service.

Amount Payable after Age 65

The amount of pension payable from age 65 (commencing with the month following the month in which his 65th birthday occurs) is the sum of the following:

(a) 2% of his Final Average Salary multiplied by his years of credited service earned prior to January 1, 1966; plus

(b) 1.3% of his Final Average Salary up to the Average YMPE plus 2% of his Final Average Salary in excess of the Average YMPE, the total multiplied by years of credited service after January 1, 1966.

Credited service is limited in all cases to a maximum of 35 years.

All pensions are payable on a monthly basis at the rate of 1/12th of the annual amount.

Effect of Maximum Pension Rule

The maximum lifetime pension (i.e. the amount payable after age 65) payable for service after December 31, 1991 is based on the maximum pension set out in the Income Tax Act. For service prior to January 1, 1992 under this Plan, the Income Tax Act maximum pension limit does not apply.

Overall, the member's pension is not reduced due to the maximum pension rule, as the Consolidated Fund is responsible for paying a supplementary amount equal to the difference between the full pension in accordance with the regular Plan formula and the Income Tax Act maximum pension amount.

Disability Pension

Prior to adoption of an LTD program by the Province for civil service employees on November 1, 1985, a member who qualified for medical disability was entitled to an immediate pension from this Plan equal to the pension benefit accrued to the date of disability, calculated at the full 2% rate of payment to age 65, and reduced thereafter, as indicated above for regular retirement. As a result of the introduction of the LTD Program, the disability benefit previously provided by this Plan was no longer of any practical significance.

It may be noted that the provision for a disability pension under this Plan was changed slightly, effective January 1, 1992. Any employee who is disabled in the judgement of the employer and

who qualifies for a disability pension under the CPP, but who is not covered for LTD benefits, will qualify for a disability pension from this Plan. This change is not expected to result in any disability pensions under this Plan, as practically all members of the PSSP are covered under their employer's LTD Program.

An employee on LTD continues to earn credited service while eligible for LTD benefits. For civil service employees, the member's contribution is based on the salary which the member would have been receiving if he were still active and held the same position as at the time of becoming disabled. In this way, the contribution to the Plan and the employee's pension benefit is indexed to his job level. For employees other than civil service, the arrangements for continuation of credited service may be somewhat different than indicated here.

Death Benefits

Before Retirement

Effective July 1, 1998, in the event a member with a Spouse (see definition below) dies in service, a pension is payable to such spouse for 60 months in the amount of 100% of the member's accrued pension less any benefits paid to surviving children/dependants. Following the end of the five years, the Spouse shall receive a pension payable for life equal to 66 2/3% of the pension which the member had earned to the date of death, calculated at the full 2% rate for service prior to January 1, 1992 and at the reduced "after 65" rate for service from January 1, 1992. In addition, each child (to a maximum total child benefit of 33 1/3% of the member's pension) shall receive a monthly pension benefit equal to 10% of the pension which the member had earned to the date of death, calculated at the full 2% rate for service to January 1, 1992 and at the reduced "after 65" rate for service after January 1, 1992. If there are more than three children, the benefit for each child is 33 1/3% of the member's benefit divided by the number of children. The child's allowance is payable until age 18 (or age 25 if attending a recognised educational institution on a full-time basis).

If there are surviving children but no surviving Spouse upon the death of the member, the total allowance payable to the surviving children is the above Spouse's pension of 66 2/3% of the employee's pension, divided equally amongst the eligible children, rather than the various 10% pensions, payable until each child attains age 18 (or age 25 if eligible as described above).

If, upon the death of the member, there is neither a surviving Spouse nor eligible children, but a dependant who is mentally or physically infirm, the Spouse's pension will be paid to such dependant for life.

If, upon the death of the member, there is no Spouse, no children, and no dependant eligible for a pension as described above, an amount equal to the member's own contributions is payable to the member's estate together with simple interest on contributions made after January 1, 1977 (the rate of interest on such contributions was 3.5% for the period from January 1, 1977 to July 31, 1983, at which time it was increased to 6%, and effective January 1, 1990 from 6% to 10%). No interest is paid on contributions made prior to January 1, 1977. Also, no interest is paid on current year contributions.

For the purposes of the above, "Spouses" means two persons, who

(a) are legally married to each other; or

(b) not being married to each other and neither being married to another person have lived together for three years in a conjugal relationship and are living together at the relevant time.

Further, for purposes of this Plan, the Spouse of a member will be determined on the date of the member's death. If there is a Spouse on that date, such Spouse will continue to be eligible for any spousal benefits which may be provided under the Plan.

After Retirement

Effective July 1, 1998, in the event a retired member with a Spouse dies within 5 years of retirement, a pension is payable to such spouse for the remainder of the 5 year period in the amount of 100% of the member's accrued pension less any benefits paid to surviving children/dependants.

Further, in the event of the death of a retired member with a Spouse, following the expiration of the above-noted five year period, a spousal pension shall be payable in the following amount:

with regard to credited service prior to January 1, 1992, 66 2/3% of the pension payable to the member at the time of the member's death; plus

with regard to credited service after January 1, 1992, 66 2/3% of the pension which would have been payable to the member, including an appropriate reduction at such time as the member would have attained age 65.

It may be noted that where the retired member dies before age 65, the surviving Spouse receives 66 2/3% of the pension calculated at the full 2% rate, except that the portion of the spousal pension with regard to the employee's service after January 1, 1992 reduces at the date on which the employee would have been 65. On the other hand, if the member dies after age 65, the Spouse receives 66 2/3% of the revised pension being received at that time.

The applicable spouse after retirement is for purposes of the spousal benefit the member's spouse at the member's date of death. If there should be no Spouse when the member's pension commences, or if the Spouse at time of pension commencement dies prior to the member, then someone who subsequently qualifies under the above requirements will be considered a Spouse, after a period of three years has elapsed, provided such person remains a Spouse throughout the three years, and the member is still living at the end of the three years.

If there is a spouse, a child will receive a benefit as follows:

(a) with regard to credited service prior to January 1, 1992, 10% of the member's pension payable at the date of death; plus

(b) with regard to credited service after January 1, 1992, 10% of the pension the member would have received.

The total benefit for all children, in cases where there is also a spousal pension, is limited to 33 1/3% of the member's pension.

If, in any individual case, the member's contributions with interest to the date of retirement exceed the total pension payments received by the Member, Spouse, Children, or any other dependants prior to the cessation of pension benefit payments, the balance shall be payable in a lump sum to the member's estate.

Termination Benefits

A member resigning from the employ of the Province, before attaining eligibility for retirement, will receive either (a) or (b) below:

(a) if the employee has less than 2 years' service at date of termination, he shall receive a refund of his own contributions with interest (at the rates outlined above for benefits on death prior to retirement);

(b) if he has completed 2 or more years of service, he will receive, upon attaining age 60, or earlier if he qualifies under the Rule of 80 (recognising increases in his age subsequent to his date of termination), the pension that had been earned to the date of termination. In the event of his death following termination of employment, the surviving spouse and dependant children receive a pension calculated with reference to the benefit that had been earned by the member up to his date of death. Effective January 1, 1987, any deferred pension of a vested member is adjusted each January 1, according to the percentage increase in the Pension Index (based on the average CPI for the 12 months ending with October) to a maximum of 6%. This has resulted in the following increases:

Effective Date	% Increase
January 1, 1987	4.1
January 1, 1988	4.4
January 1, 1989	4.1
January 1, 1990	4.8
January 1, 1991	4.8
January 1, 1992	5.8
January 1, 1993	1.8
January 1, 1994	1.9
January 1, 1995	0.0 [1]
January 1, 1996	2.3
January 1, 1997	1.5
January 1, 1998	1.9
January 1, 1999	0.0 [1]
January 1, 2000	2.5
January 1, 2001	2.5
January 1, 2002	3.0
January 1, 2003	1.6
January 1, 2004	3.2

1 The calculation produced a result of 0.5% and 0.9% for 1995 and 1999 respectively. Pursuant to the Cost of Living Regulations made under Section 20 of the Public Service Superannuation Act, where the increase is less than 1%, it will be deferred until the following year.

The member may elect a transfer of the commuted value of his deferred pension to a locked-in RRSP or to the fund of another pension plan (provided the administrator of that plan agrees to accept the payment). In lieu of the deferred pension or its commuted value transferred to a locked-in RRSP, a member may, with respect to his benefits earned for service to January 1, 1988, elect a refund of his contributions with interest.

Indexing of Pensions After Retirement

After retirement, the pension is eligible for annual increases, on each January 1, according to the percentage change in the Pension Index for the 12 months ending with the previous October, up to a maximum of 6% in any year. It may be noted that pensions are not reduced if the CPI should fall and if the calculation indicates an increase less than 1%, no adjustment is made until the cumulative increase is at least 1%.

Any spousal or child pension benefits are also eligible for this indexing. The rates of increase in recent years are the same as those shown for deferred pensions under "Termination Benefits"

outlined above.

It may be noted that, effective with increases granted in respect of 1992 and later years, i.e. commencing with the January 1, 1993 increase, the indexing adjustment in the first year is pro-rated to reflect the actual number of months out of 12 for which payments were received.

Pension Payable by Consolidated Revenue Fund

It may be noted that certain pension benefits are a liability of the Province rather than this Plan. These include:

(a) indexing with respect to benefits for credited service prior to 1941,

(b) supplementary payments made under the Public Service Act (primarily for Deputy Ministers),

(c) benefits in respect of the 1986, 1991 and 1994 Early Retirement Incentive Programs,

(d) supplementary payments made under the Provincial Court Act,

(e) the portion of any pension in excess of the Income Tax Act maximum pension, as defined earlier, for service after January 1, 1992, and

(f) pension benefits arising from credit for war service.

This valuation excludes any benefits which are either payable from or reimbursed by the Consolidated Revenue Fund.

For administrative reasons, the Consolidated Revenue Fund of the Province pays a member's total pension and is in turn reimbursed by the Plan for any amounts which are the responsibility of the Plan.

APPENDIX F– EMPLOYER CONFIRMATION CERTIFICATE

With respect to the actuarial valuation report of the Nova Scotia Public Service Superannuation Plan as at December 31, 2003, we hereby confirm that to the best of our knowledge:

- the data regarding plan members and beneficiaries provided to Morneau Sobeco constitutes a complete and accurate description of the information contained in our files;
- the summary of Plan provisions as contained in Appendix E of the report is a complete and accurate summary of the terms of the Plan which affect the costs.
- the Plan assets shown in Appendix C are accurate; and
- there are no subsequent events nor any extraordinary changes to the membership other than those listed in the December 31, 2003 actuarial valuation report on the Plan, which would materially affect the results.

Province of Nova Scotia

_____

Signature

_____

Name (printed)

_____

Title

_____

Date

MORNEAU SOBECO